

**U.S. House of Representatives
Committee on Agriculture**

Subcommittee on Conservation, Credit, Rural Development, and Research

Testimony provided by
Dr. Mike D. Woods, Professor
Oklahoma State University

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I am pleased to be here today to discuss and review rural development programs. Rural America is deserving of our attention and investments to secure economic opportunity and enhance quality of life for rural residents will pay dividends. My comments will be brief and hopefully concise. I will first address the notion of rural development from a community or regional perspective. Then I will share results of a recent Oklahoma survey intended to identify specific needs of rural businesses. Finally, I will address state and regional rural development efforts that have made a difference. First, a brief discussion regarding the “place-based” nature of rural development.

Rural development solutions vary depending upon the geographic location and unique circumstances of specific rural regions. My home state, Oklahoma, is a good example of the diversity we have in rural America. Western counties of Oklahoma are heavily dependent on agriculture and oil/gas. Population tends to be declining in these counties and employment growth is erratic or slow. Much of the Great Plains region (bread basket) in the U.S. falls in this category. Eastern Oklahoma has some rural counties experiencing rapid growth, often based on amenities, outdoor recreation, and in some cases specific sectors like manufacturing. Other counties experience persistent poverty and low income levels. The state has counties that are suburban and are feeling growth pressures and urban encroachment. The state also has what

could be considered “frontier” counties with extremely low population density. Development problems vary and potential solutions vary by geographic region.

Rural communities and rural regions achieve development goals through effective use of available resources. These resources fall into several categories including natural [land, water, natural amenities, etc.]; human [educational levels, quantity and quality of labor force, etc.]; institutional [government organizations, infrastructure]; and financial resources. Natural resources are endowed, either a region has them or not. The other resources offer opportunity for policy intervention. Title VI of the Farm bill offers several programs to address these resource needs. Before addressing specific programs I would like to share some feedback recently obtained from rural businesses and leaders in Oklahoma.

The Rural Economic Development Initiative (REDI) was designed to encourage business creation and growth by matching businesses with the appropriate resources available across the state. Oklahoma House Speaker Todd Hiett selected former U.S. Congressman Wes Watkins to oversee the project, which involved collecting data from hundreds of rural businesses and residents. The survey process was accomplished through a partnership between the Oklahoma Cooperative Extension Service (OCES) and Rural Enterprises of Oklahoma, Inc. (REI). At last count, 787 firms and individuals representing 72 counties from across the state had responded to the action questionnaire and had identified a variety of needs and issues including finance, marketing, employee relations, accounting, international trade, government procurement, etc.

The goals of the REDI questionnaire are:

- 1) understand the specific needs of rural businesses in terms of available assistance, and
- 2) understand the policy issues that are impacting rural businesses.

The REDI respondents tended to represent rural businesses with over 75 percent of the responses coming from nonmetropolitan counties. Responses indicate a strong desire for companies to grow and expand with 62 percent of the respondents planning to expand.

The type of assistance needed varied across business and region but included financial assistance, marketing, market research, business plan development, and technology assistance (product development or process improvement). Often, firms requested more than one type of assistance. One notable finding has been the eagerness of the respondents to identify opportunities such as the pursuit of the expansion of an existing operation. The entrepreneurial spirit is truly alive and well. Respondents to the survey also identified policy issues that have significant impact. Workforce preparation, tax issues, regulations, and transportation were most frequently mentioned. Responses to the survey suggest types of public programs and support which rural areas need to encourage healthy growth.

The Rural Development Title of the Farm Bill offers assistance for rural regions and addresses resource needs in several areas. Infrastructure is fundamental for development and includes traditional concerns like water, sewer, roads, and bridges. Safe, reliable water is critical for both quality of life and for development potential. The Rural Development Title has provided assistance for rural water systems. In Oklahoma, for example, the USDA office indicates we have the seventh largest rural water portfolio. Oklahoma has over 400 rural water districts and has a backlog of requests for assistance. More and more, the responsibility for funding these water systems has been shifted to local sources which can be challenging for economically depressed regions.

We must also consider digital infrastructure if we desire rural areas to be competitive in the new information economy. Providing broadband access to rural areas is a significant

concern. Leaders in Oklahoma tell me that satellite access to broadband has greatly enhanced electronic access for rural areas. Partnerships with telephone cooperatives and Tribal governments are exploring opportunities for wireless towers, often funded by USDA low interest loans.

Ranchers and farmers deserve the highest quality medical and educational services. Farming is one of the most dangerous occupations. Because of economies of size, it is often difficult to provide these services in sparsely populated rural areas without governmental assistance. Every effort must be made to assist in the efficient provision of these services. This includes continuation of such programs as community facility loan programs, and tele-health and tele-education grant programs. In addition to the need for these services, the health and education sectors are often the largest employers in many rural communities and thus perform an economic development function. These employers often provide jobs to farm spouses and thus enable the farm families to have health insurance.

A diversified rural economy means off-farm jobs will be available for rural residents including farm families. Efforts to enhance the rural economy through lending programs and loan guarantees can help. Rural Enterprises of Oklahoma, Inc. is the largest re-lender of Rural Development funds in the nation. REIs intermediate re-lending program in Oklahoma has “revolved” eleven million dollars twice, offering much needed financial assistance. Guidelines for these programs are well intended but sometimes make targeted assistance difficult. For example, much of western Oklahoma may qualify for program assistance but scores low with the funding formula because of high per capita income levels. Perhaps some other factor like “out migration” might be considered.

USDA guaranteed lending for businesses has grown in Oklahoma from \$8 million in 2000 to \$55 million in 2006 according to the state office. Housing loans have grown from \$17 million to \$80 million during the same time period. The lenders are making loans that otherwise would not be made.

The value added grant program has also been important for states like Oklahoma. Feasibility studies for an ethanol plant and the American Native Beef Plant have been funded. A noted value added venture, Value Added Products (VAP) in Alva, Oklahoma involves 800 producers across the state and continues to be a success story. Clearly this program is making a difference. Sometimes producers and leaders at the community level do find it difficult to respond to the required paperwork, but the programs are important. The Agricultural Innovation Center is another potentially helpful program that has been mentioned to me. Again, guidelines and requirements to participate can sometimes be limiting. A notable shift in attitudes in rural Oklahoma has emerged and community leaders are “hungry” for alternative sources of economic growth.

Entrepreneurship is clearly a key option if rural areas are to provide enhanced economic opportunity for residents. There is a growing interest in entrepreneurship in Oklahoma and in our region. Regional Rural Development Centers located at Land Grant Universities have supported a national coalition for rural entrepreneurship. Recent “listening sessions” held in seven states through the southern region involved almost 300 participants and identified key topics and possible actions to grow entrepreneurs and communities. In Oklahoma, possible action steps identified included agritourism development, youth entrepreneurship, alliances with Native American efforts, business start-up “boot camps,” and assistance with information technology. Participants in Pine Bluff, Arkansas, identified activities including building strong

public schools, partnering, investing in technology, and utilizing a community-based strategic planning process.

If entrepreneurship is to grow in rural America, digital infrastructure will be important. Rural businesses, consumers, and communities not only will require infrastructure like broad band access but will need the capacity and training to effectively utilize the technology. The “rural electronic commerce extension program” or e-commerce initiative addresses this need and currently has Land Grant faculty involved in curricula development related to community connectivity, rural businesses, and farm businesses.

Recent efforts in Oklahoma have reinforced the importance of local leadership and capacity building. Community development efforts succeed when appropriate tools and training are made available to rural communities. The Initiative for the Future of Rural Oklahoma found that community groups are eager and willing to “buy in” to a strategic planning effort utilizing existing local resources and seeking out resources that are not present but needed. Community and regional groups developed local plans with local ownership and were provided networking opportunities to utilize both state and federal sources of assistance. The resulting strategies were both entrepreneurial and place-based.

In summary, I again would like to express my appreciation for this opportunity to visit with you. There are three key points I will close with:

1. The Rural Development Title of the Farm Bill has done much to benefit rural America. I observe real examples in my home state and region. There are possible areas for adjustments, for example, the funding formula sometimes scores communities in need of help low because of unique demographics.
2. Communities and regions should look at all available resources (natural, institutional, human, and financial) when considering the future. The key is how these resources are combined and utilized. What is the best “feed ration” for growth in any unique place? Perhaps communities and regions should be

encouraged to develop holistic strategic plans and public resources then allocated to support these efforts.

3. Rural entrepreneurship offers great hope for rural regions. Resources of all types (institutional, infrastructure, financial) can make a difference. Let's not forget human resources and be sure to make investments in training, leadership, local capacity, and knowledge so rural entrepreneurs and potential entrepreneurs can be competitive in our global economy.

Thank you for your time.

Table 1
Response by Region, REDI Survey

Region	Surveys Returned	Part Time Employees Represented	Full Time Employees Represented
Northeast	123	441	2,776
Northwest	178	370	7,194
Southeast	228	474	3,454
Southwest	258	499	4,785
STATE TOTAL	787	1,784	18,209

Table 2
Expansion Plans, REDI Survey

Region	Planning to Expand Total	Planning to Expand Percent
Northeast	78	63.4
Northwest	107	60.1
Southeast	142	62.3
Southwest	158	61.2
STATE TOTAL	485	61.6

Table 3
New Products or Processes, REDI Survey

Region	Have Existing Product or Process that's Marketable?	Have Idea for Product or Process that's Marketable?
Northeast	48	43
Northwest	58	40
Southeast	77	55
Southwest	81	64
STATE TOTAL	264 (33.5%)	202 (25.7%)

Table 4
Types of Assistance Requested, REDI Survey

Assistance	State Total
Financial Assistance	228
Technology: Product Development	87
Technology: Process Improvement	90
Marketing: Advertising/Public Relations	191
Marketing: Market Research	129
Marketing: Product Merchandising	122
Marketing: Sales/Customer Service	107
Marketing: Transportation/Logistics	65
Building space for start-up or expanding	129
Business Plan Development	103
Gov. Procurement/Contracts	83
Employee Training/Motivation	95
Management Training/Motivation	62
Labor/Management Relations	39
Export/Import/Foreign Markets	41
Accounting/Bookkeeping	86
Government Regulations	46
Other	19
None Requested	358

Table 5
Problems with Recruiting and Keeping Labor, REDI Survey

Assistance	State Total
Recruiting Unskilled Labor	97
Keeping Unskilled Labor	130
Recruiting Skilled Labor	239
Keeping Skilled Labor	142
Recruiting Clerical Labor	65
Keeping Clerical Labor	40
Recruiting Professionals/Management	94
Keeping Professionals/Management	56

Table 6
Policy Issues that Significantly Impact Respondent Businesses

Assistance	State Total
State tax structure	214
Lack of affordable housing	83
Transportation issues	131
Communication issues	49
State or federal regulations	205
Inadequately educated workforce	166
Other: Workers' Comp.	43
Other	83

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Brief Bio
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Mike Woods

Dr. Mike D. Woods teaches, conducts research, and provides community outreach programs through Oklahoma State University. Dr. Woods is a Professor in the Department of Agricultural Economics, Oklahoma State University, Stillwater, Oklahoma. Dr. Woods has worked in the area of community economic development since 1981. This includes five years with Texas A&M University and the remainder with Oklahoma State University. Presently Dr. Woods is developing and delivering programs concerned with economic development options for Oklahoma Communities. Training and technical assistance programs are provided to about 40 Oklahoma Communities per year. Specific options such as business development, tourism, and retiree recruitment are being addressed. Dr. Woods also offers training on “strategic planning for economic development” through the Oklahoma Cooperative Extension Service. Dr. Woods conducts research that supports these educational programs in community economic development. He has published 21 journal articles, 28 Experiment Station publications, 35 Extension publications, and four textbook chapters. Dr. Woods has served on numerous state, regional, and local boards addressing community development issues in Oklahoma. Currently, he is serving a term on the Stillwater Public School Board.